

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/EE:CWSCHMIDT:OES/APT/SEP:WFDECLERCCQ:TL

APPROVED BY OES/APT:OHGANLEY

EUR:JAARMITAGE

C:JMONTGOMERY

INR/RPS:EFITZGERALD (INFO)

S/S:MR. ORTIZ

DESIRED DISTRIBUTION

CIA, INR/RPS

----- 040940

P 282257Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST PRIORITY

S E C R E T STATE 241299

EXDIS

E.O. 11652:XGDS 2 AND 3

TAGS: TSPA, ACOM, PFOR, RO

SUBJECT: VIP TELECOMMUNICATIONS EQUIPMENT

REFERENCE: BUCHAREST 5364

1. THE FOLLOWING IS INTENDED AS BACKGROUND FOR EMBASSY AND AS GUIDANCE FOR DISCUSSIONS WITH GOR OFFICIALS IN RESPONSE TO ISSUES RAISED IN REFTEL.

2. MOTOROLA PROPOSAL

(A) THE PROJECT UNDER MOTOROLA CONSIDERATION DEALS WITH AN IN-COUNTRY MOBILE TELEPHONE SYSTEM HAVING THE CAPABILITY TO BE LINKED TO RIVERBOATS AND AIRCRAFT. THE SYSTEM WILL BE TIED INTO EXISTING ROMANIAN TELEPHONE NETWORK. IN EARLY DISCUSSIONS, THE PROJECT WAS REFERRED TO AS A "MOBILE VIP

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GROUND COMMUNICATIONS NETWORK" (SEE BUCHAREST 75 6425) BUT

IS NOW CALLED "IMTS". (SEE PARA 2 (F) BELOW FOR EXIM'S TITLE OF PROJECT).

(B) THE MOTOROLA PROPOSAL IS COMPLETELY DISTINCT FROM THE VIP TELECOMMUNICATIONS PROJECT WHICH, AS EMBASSY KNOWS, DEALS WITH COMMUNICATIONS EQUIPMENT FOR CEAUSESCU'S PRESENT (OR FUTURE) AIRCRAFT. IN EARLY DISCUSSIONS BETWEEN THE GOR

AND POTENTIAL AMERICAN SUPPLIERS, THE ROMANIANS INCLUDED A REQUIREMENT FOR A TIE-IN CAPABILITY FROM THE VIP AIRCRAFT TO IMTS. HOWEVER, WE UNDERSTAND THAT AT THIS TIME THIS TIE-IN CAPABILITY IS NO LONGER A REQUIREMENT, SINCE THE ROMANIANS WILL BE GIVEN THE OPTION OF INSTALLING THEIR OWN APPROPRIATE DEVICES IN THE VIP AIRCRAFT.

(C) WE HAVE BEEN IN TOUCH WITH MOTOROLA HEADQUARTERS AS WELL AS WITH THEIR WASHINGTON REPRESENTATIVE. HAVING DECIDED THAT THE MOTOROLA PROJECT DOES NOT REQUIRE SPECIAL HANDLING, WE TOLD MOTOROLA TO PROCEED DIRECTLY AND ROUTINELY WITH WHATEVER EXPORT LICENSE APPLICATIONS WERE REQUIRED.

(D) MOTOROLA'S ORIGINAL REQUEST TO EXIM FOR FINANCING RESULTED IN EXIM BOARD APPROVAL ON MAY 27 OF PRELIMINARY COMMITMENT FOR THIS PROJECT WHICH WOULD HAVE TOTAL U.S. EXPORT VALUE OF GOODS AND SERVICES OF \$12.7 MILLION. MOTOROLA STATED AT THE TIME OF APPLICATION THAT IT EXPECTED COMPETITION FROM FRENCH (CSF THOMPSON) AND FROM FRG (TEKADE), BUT THAT COMPANY NEVERTHELESS WAS CONFIDENT IT COULD WIN THE BUSINESS WITH THE EXIM TERMS IT HAD REQUESTED. EXIM BANK CONFIRMED THROUGH ITS OWN CHANNELS THAT BOTH HERMES AND COFASE HAD AGREED TO REQUESTS FOR FINANCING FOR FRG AND FRENCH CONTRACTS FOR THIS PROJECT. THE EXIM PC EXPIRED ON AUGUST 31, BUT SUBSEQUENTLY WAS EXTENDED UNTIL OCTOBER 31 BY EXIM, FOLLOWING REQUESTS FROM MOTOROLA IN EARLY SEPTEMBER. AT THAT TIME, MOTOROLA INFORMED EXIM THAT THEY BELIEVED THEY HAD VERY GOOD CHANCE OF GETTING THE ORDER BY THE END OF SEPTEMBER, ALTHOUGH THEY DID NOT RULE OUT A DELAY OF A MONTH.

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(E) WE SHARE EMBASSY'S VIEW THAT IT WOULD BE PREFERABLE NOT REPEAT NOT TO HAVE EXIM INVOLVEMENT IN MOTOROLA SALE SINCE, EVEN THOUGH IT IS DISTINCT FROM THE VIP TELECOMMUNICATIONS PROJECT, THERE IS NEVERTHELESS THE POSSIBLE RISKS THAT PUBLIC AND/OR CONGRESSIONAL QUESTIONS COULD EVENTUALLY LEAD TO QUESTIONS WHICH COULD JEOPARDIZE CONFIDENTIALITY OF THE VIP TELECOMMUNICATIONS PROJECT ON WHICH COLLINS AND E-SYSTEMS ARE WORKING. HOWEVER, WE DO

NOT BELIEVE WE CAN ASK MOTOROLA TO WITHDRAW ITS APPLICATION IN LIGHT OF INFO FROM EXIM (RECEIVED FROM EXIM ON PERSONAL AND CONFIDENTIAL BASIS) THAT MOTOROLA DOES HAVE COMPETITION IN THE SALE. FURTHERMORE, WE OF COURSE WOULD NOT WANT TO MAKE ANY SUGGESTIONS TO ROMANIANS WHICH COULD RESULT IN MOTOROLA LOSING THE SALE. HOWEVER, ASSUMING ROMANIANS SHARE OUR CONCERN ABOUT POSSIBLE RISK TO CONFIDENTIALITY OF VIP COMMUNICATIONS PROJECT, EMBASSY MAY WISH TO EXPLORE WHETHER ROMANIANS WOULD BE WILLING TO PAY CASH FOR THE MOTOROLA PROJECT AND THEREBY AVOID ANY RISK OF THIS NATURE.

(F) ASSUMING ROMANIANS BUY MOTOROLA EQUIPMENT WITH EXIM CREDIT, EXIM WILL BE REQUIRED TO ANNOUNCE THIS PUBLICLY AS PART OF A MONTHLY PRESS RELEASE WHICH CONTAINS COMPENDIUM OF ALL RECENT EXIM CREDITS. INFO ON TRANSACTION WOULD BE BRIEF AND GENERAL IN NATURE, ALONG LINES OF "SALE OF NATION-WIDE MOBILE RADIO COMMUNICATION SYSTEM FOR THE ROMANIAN POST AND TELEGRAPH". SIMILARLY, REPORT OF CREDIT TO CONGRESS WOULD ALSO BE MADE AS PART OF EAST-WEST TRADE BOARD'S QUARTERLY REPORT AS REQUIRED BY TRADE ACT OF 1974. THIS INFO WOULD ALSO BE BRIEF AND GENERAL. WE WOULD PLAN TO WORK CLOSELY WITH EXIM ON WORDING OF SUCH PUBLIC INFO ON THE MOTOROLA SALE IN EFFORT TO MINIMIZE RISK OF QUESTIONS AND/OR CONTROVERSY.

3. VIP TELECOMMUNICATIONS SYSTEM

(A) IN HIS DISCUSSIONS WITH GOR DURING THE PAST TWO YEARS, DR. GANLEY HAS ALWAYS STRESSED THAT THE PROJECT WOULD HAVE TO BE DONE ON A CASH-AND-CARRY BASIS.

(B) AT THE PRESENT TIME, THE VIP PACKAGE HAS TWO ASPECTS:

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(1) THE POSSIBILITY OF THE GOR PURCHASING A NEW AIRCRAFT FOR CEAUSESCU AND (2) THE ACQUISITION OF SECURE TELECOMMUNICATIONS EQUIPMENT FOR HIS PRESENT OR NEW AIRCRAFT AND A NUMBER OF GROUND SUPPORT FACILITIES. WE HAVE NOT YET REACHED A DECISION AS TO WHETHER OR NOT WE WOULD SUPPORT EXIM FINANCING OF A NEW PRESIDENTIAL AIRCRAFT. IT APPEARS POSSIBLE ON FIRST EXAMINATION THAT EXIM COULD FINANCE SUCH A SALE WITHOUT RAISING QUESTIONS CONCERNING THE RELATED TELECOMMUNICATIONS EQUIPMENT.

(C) ON THE OTHER HAND, WE ARE RESOLUTELY OPPOSED TO EXIM FINANCING OF THE COLLINS TELECOMMUNICATIONS EQUIPMENT AND INFORMED COLLINS OF THIS POSITION DURING LATTA CALL ON GANLEY SEPTEMBER 24. WE BELIEVE EMBASSY SHOULD ALSO ALERT APPROPRIATE GOR OFFICIALS TO THE RISK OF PUBLIC ATTENTION

INHERENT IN EXIM FINANCING OF THIS EQUIPMENT, STRESSING
THAT REQUIRED PUBLIC ANNOUNCEMENTS AND OTHER PUBLICITY
COULD VERY EASILY JEOPARDIZE THE ENTIRE TRANSACTION. (LATTA
REPORTS THAT THE INQUIRY REGARDING POSSIBLE EXIM INVOLVE-
MENT FOR THE VIP PACKAGE WAS MADE BY MR. HARABAGIU,
DIRECTOR GENERAL OF TEKNO-IMPORT, AND HIS ASSOCIATE,
MR. ATANASIU.) ROBINSON

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, EQUIPMENT, INFORMATION CONTROL, BRIEFING MATERIALS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE241299
Document Source: CORE
Document Unique ID: 00
Drafter: CWSCHMIDT:OES/APT/SEP:WFDECLERCCQ:TL
Enclosure: n/a
Executive Order: X2 AND 3
Errors: N/A
Film Number: D760366-0661
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760910/aaaaaipc.tel
Line Count: 176
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 76 BUCHAREST 5364
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAR 2004 by GarlanWA>; APPROVED <01 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VIP TELECOMMUNICATIONS EQUIPMENT
TAGS: TSPA, ACOM, PFOR, RO, US
To: BUCHAREST
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006